

Sent via e-mail, fax, hand delivery
and/or U.S. Mail

April 29, 2003

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Petition of Fitchburg Gas and Electric Light Company for approval of its 2002
Electric Reconciliation Mechanism and Transition Charge Reconciliation Filing,
D.T.E. 02-84

Dear Secretary Cottrell:

Fitchburg Gas and Electric Light Company ("Fitchburg" or the "Company") has filed a petition seeking the Department's approval of its 2002 Electric Reconciliation Mechanism and Inflation Adjustment Filing ("Reconciliation Filing"). The Company asserts in its Initial Brief that all adjustments made in the Reconciliation Filing are reasonable and appropriately calculated. The Attorney General responds in this letter brief.

Few issues are in dispute in this case. The Company and the Attorney General disagree on (1) the proper course of action to address a projected discrepancy in the 2003 transition charge revenues; (2) the cash working capital requirement for purchased power costs; and (3) the party responsible for certain congestion costs under the Standard Transition Service Supply Contract ("Supply Contract").

First, the Company projects a \$450,000 discrepancy in favor of the G-3 class for the 2003 uniform transition charge ("UTC") revenues. Tr., pp. 32-33; Exh. FGE-MHC-1, Schedule MHC-4, pp. 5-6. The discrepancy is essentially an under-collection of \$450,000 from the G-3 class in UTC revenues. This shortfall in UTC revenues, however, would ultimately be borne by all classes of customers in future reconciliations and would constitute a disproportionate charge against those non-G-3 classes. The Department requires that transition costs be collected from all customer classes through a uniform cents per kilowatt-hour charge. *See Fitchburg Gas and Electric Light Company*, DTE 97-115/98-120, p. 41 (1999) ("The Department finds that a

uniform access charge for all rates is the proper way to design rates and is consistent with other companies' rates. Uniformity among all classes ensures fairness and avoids discrimination.”). Despite this requirement, the Company proposes to take no action regarding the discrepancy and the resulting unfairness to non-G-3 customers.¹ The Company states that class-specific adjustments add a degree of complexity to the rate calculation that do not provide a sufficient or appropriate benefit. Tr., pp. 28-29. The Department does not need to decide the issue here, but should require the Company to monitor the discrepancy and implement a class-specific transition charge adjustment in the 2003 reconciliation² if the actual figures for the 2003 term confirm the projected shortfall.

Second, the Company miscalculates its cash working capital requirement for purchased power costs. The miscalculation is attributable to a one-day difference (*e.g.*, 39 days versus 40 days) in the Company's lead payment calculation.³ Tr., pp. 21-23, 42-43; Exh. FGE-MHC-1, Schedule MHC-7, p. 20. The Company states that it does not include the day that payment is made to a vendor in its calculations because those payment funds are not available or accessible to the Company on the payment date. Tr., pp. 42-43. This explanation is erroneous and indeed contradicted by Mr. Collin's own calculations on the issue at the evidentiary hearing. Tr., pp. 21-23. The lead in purchased power expense is appropriately calculated when it reflects the time of receipt of service **through** the time that payment is made for that service. The Department should require the Company to increase its purchased power lead from 40.51 to 41.51 days. This correction should yield a proper calculation of the cash working capital requirement.⁴

Third, the Company seeks recovery for congestion costs that the supplier should bear. Tr., pp. 34-41; Exh. FGE-MHC-1, Schedule KMA-1, pp.1-3; Exh. AG-3-6, Attachment, pp. 2, 5.

¹ The Company's response regarding the discrepancy and the resulting inequity does not justify inaction. The Company's witness, Mr. Mark Collin, stated, “I think over time our sense is that it will balance out...[and] [f]inally, from a review perspective, from a reconciliation perspective, I think continually to add additional reconciliations on top of reconciliations really is not appropriate in this instance.” Tr., pp. 30-31.

² The 2003 reconciliation takes place in the year 2004. Any class-specific adjustment would likely be implemented in the year 2005.

³ Mr. Collin agreed at the hearing that while Schedule MHC-7 showed a calculation of 39 days for the lead in payment, his hands-on count of the number of days between April 15 and May 25 for payments to a power supplier produced a 40-day count for the lead in payment. Tr., pp. 21-23.

⁴ The cash working capital requirement is based upon a lead/lag study that measures the net lag in the recovery of purchased power costs and is calculated as the difference between the revenue lag and the lead in payment of purchased power expense. The Company has already revised the revenue lag from 56.25 days to 54.00 days. Tr., pp. 18-19. The purchased power lead should be revised to 41.51 days. Subtracting the purchased power lead of 41.51 days from the revenue lag of 54.00 days results in a net lag of 12.49 days. The net lag of 12.49 days is the equivalent of 3.42% of a year ($12.49 \div 365 = 3.42$).

Under the Supply Contract the seller is responsible for the congestion costs for which the Company seeks recovery.⁵ The Company claims that it pays for those congestion costs because those charges are billed to it and not the supplier. Tr., pp. 39-41. This argument lacks merit because the issue is not the party that gets billed for the congestion charges but, instead, the party responsible for the congestion charges.⁶ The Department should deny the Company's request to recover for congestion costs for which the supplier is responsible.

Respectfully submitted,

TOM REILLY
ATTORNEY GENERAL

By: _____
Wilner Borgella, Jr.
Assistant Attorney General
Utilities Division
200 Portland Street, 4th Floor
Boston, MA 02114
(617) 727-2200

⁵ The Supply Contract provides " Seller, as the supplier of Standard Transition Service Power, will be responsible for...any congestion charges associated with the Seller's Load Responsibility and any other requirements imposed by NEPOOL or the ISO, as they may be in effect from time to time." Exh. AG-3-6, Attachment, p. 2. "All electricity shall be delivered to the Company...at any location on the NEPOOL PTF system selected by the Seller...provided, that Seller expressly acknowledges and agrees that if the company incurs congestion costs from the Delivery Point to the Point of interconnection...then the Seller shall be liable to the Company for such congestion costs...If the NEPOOL control area experiences congestion, Seller will be responsible for any congestion costs incurred in delivering power across the PTF system to the Company to the extent such costs are imposed by NEPOOL or the ISO on suppliers." Exh. AG-3-6, Attachment, p. 5.

⁶ If this matter is simply a billing issue as the Company suggests, then the Company should ask NEPOOL to bill the supplier for the congestion charges since the Supply Contract provides that the supplier is responsible for those charges.